

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

**Date:** February 18, 2020

Number: **202020025**

Release Date: 5/15/2020

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code Section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code Section 117(b)).

**Description of your request**

You will operate a scholarship program and provide funding for the education and training of youth involved in the sport of soccer and other sports, and funding for underprivileged youth and individuals seeking to enhance their talents in the arts, education or athletics.

Recipients will be selected on an objective and nondiscriminatory basis. The primary basis for selection will be demonstrated financial need. Evidence of significant academic success and/or community service and involvement will also be taken into consideration. No scholarships may be awarded to any of your directors, officers or employees, to a member of the family of any of the foregoing, to any "substantial contributor" to you, to a member of the family of a "substantial contributor," or to any other "disqualified person" as defined in IRC § 4946(a) with respect to the you or to a member of the family of

any other “disqualified person.” No scholarships may be awarded for a purpose that is inconsistent with the purposes described in IRC § 170(c)(2)(B).

Your Selection Committee will consist of two or more of your directors and/or officers charged with the evaluation of candidates. Every member of the Selection Committee shall adhere to your relevant policies as they may be adopted and amended from time to time, including without limitation this Policy and your Conflict of Interest Policy. Every member of the Selection Committee shall be obligated to disclose any personal knowledge of and relationship with any potential scholarship recipient under consideration and to refrain from participation in the award process in a circumstance where he or she would derive, directly or indirectly, a private benefit if any potential scholarship recipient or recipients are selected over others.

Applicants for scholarships will submit their application on the form provided by you as well as any additional materials you deem appropriate on a schedule to be determined by your selection committee. The number of applicants expected to be of sufficient size that giving scholarships to one or more members of the applicant group fulfills a charitable purpose.

You will pay scholarships directly to the institution or program that conducts the activities for which a successful applicant has sought the scholarship, with a designation that it be used for the awardee. A very brief report from scholarship recipients will be required, confirming their actual participation in the program for which a scholarship is awarded. You will send a request for such reports to awardees within sixty (60) days after the conclusion of the program, as stated in their applications.

In accordance with Treasury Regulation Section 53.4945-4(c)(6), you will retain the following records in connection with all scholarships: all information obtained by you in the evaluation of the qualifications of potential recipients, the identification of recipients (including any relationship of any recipients to you or to any of your directors or officers), the purpose and amount of each scholarship, and any additional information you obtain in complying with its scholarship administration procedures.

Records pertaining to any scholarship made pursuant to this policy shall be kept for no less than three years after the filing of your annual tax return for the period in which the last installment of such scholarship was paid.

In accordance with Treas. Reg. Section 53.4945-4(c)(4), you will investigate any misuse of funds and withhold further payments to the extent possible if any information indicates that scholarships are not being used for the purpose for which they have been awarded. Furthermore, you will take all reasonable and necessary steps to (1) recover misused scholarship funds or to (2) ensure restoration of such funds and their dedication to their intended purposes.

#### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code Section 4945). A taxable expenditure is any amount a private foundation pays as a

grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code Section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code Section 117(a).
- The grant is to be used for study at an educational organization described in Code Section 170(b)(1)(A)(ii).

**Other conditions that apply to this determination**

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code Section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements